

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding the
Implementation of the Suspension of Direct
Access Pursuant to Assembly Bill 1X and
Decision 01-09-060.

Rulemaking 02-01-011
(Filed January 9, 2002)

**ADMINISTRATIVE LAW JUDGE'S RULING
FOR CALCULATION OF DIRECT ACCESS/DEPARTING LOAD COST
RESPONSIBILITY OBLIGATIONS THROUGH 2005**

Introduction

This ruling outlines the process to determine total cost responsibility surcharge (CRS) obligations of Direct Access (DA) and Departing Load (DL) customers: (1) on a true up basis for the year 2003 and (2) on a forecast basis for 2004 and 2005.¹ The methodology for calculating the DA CRS was set forth in D.02-11-022. Further disputes concerning the computation of the DA CRS were resolved in D.05-01-040, in which DA CRS obligations for 2001-2003 were determined. These decisions provide the basis for computation of CRS obligations as directed in this ruling.

¹ Although 2004 is now past, actual data required for a 2004 true up is not yet available. Accordingly, for the calculations outlined in this ruling, the CRS obligations for 2004 will be made on a "forecast" basis, that is, utilizing data consistent with the DWR revenue requirement that was adopted for the year 2004.

A prior ruling on March 28, 2005, discussed the process for computing the relevant CRS obligations applicable to Municipal DL customers. Thus, the processes for the DA CRS outlined in this ruling will need to be coordinated with the processes for determining the MDL CRS outlined in the March 28th ruling.

A separate ruling will issued shortly addressing the procedural schedule and process for the review of the adequacy of the DA CRS cap to determine if it needs to be adjusted to assure that CRS undercollections are paid down by no later than the end of the DWR contract term in 2011, as required by D.03-07-030 (see Conclusions of Law 7 and 8).

Pursuant to D.03-07-030, the reassessment of the CRS cap level was to occur two years after July 10, 2003. The updating of the DA/DL CRS calculations through the 2005 period, as directed in this ruling, will provide a starting point for reviewing longer term projections of CRS obligations as a basis to assess whether the 2.7 cents CRS cap needs adjustment to assure paydown of undercollections by 2011.

2003 True Up Process

In D.05-01-040, the Commission adopted DA CRS obligations based on actual results for 2001-2002, and based upon forecast results for 2003 subject to true up once the Commission adopted a true up of the 2003 California Department of Water Resources (DWR) revenue requirement. In D.05-03-024, the Commission subsequently adopted a true up of the 2003 DWR revenue requirement. Appendix A (Schedule 1 and 2) of D.05-03-024, attached to this ruling, sets forth the 2003 DWR revenue requirement true up to reflect actual amounts.

Ordering Paragraph 8 of D.05-01-040 stated:

“Upon Commission determination of the DWR revenue requirement true up for 2003, the assigned ALJ shall issue a ruling for finalizing the true up of the 2003 CRS obligations for power charges ... ”

The 2003 DWR revenue requirements that have been finalized pursuant to D.05-03-024, form the basis for finalizing the true up of the 2003 DA/DL CRS obligations.

The 2003 true up is also the triggering event to calculate the portion of the \$1 Billion reduction in DWR revenue requirement that is attributable to Customer Generation Departing Load (CGDL). As explained in D.05-01-040:

“We shall accordingly direct that CGDL accruals for DWR bond charge obligations for 2003 and 2004 be reduced by the applicable amounts necessary to reflect the effects of the \$1 billion reduction for 2003. In connection with the true up for 2003 DWR charges, we shall direct that the appropriate calculations be made to assign a proportionate share of the \$1 billion reduction to the DWR Bond Charge and/or Power Charge being paid by DL customers. The specific reduction due to Customer Generation DL will be determined in proportion to the actual share of accrued obligation for DWR Bond and/or Power Charges that they were assessed for the year 2003.” (D.05-01-040 at page 44.)

This ruling thus authorizes parties to proceed with calculations to adjust the CGDL accruals, as described above, and for finalizing the true-up of the DA/DL CRS obligations for 2003, corresponding to the total DWR revenue requirement true up through the process outlined below.

2004 DA CRS Obligations

In D.04-12-014, the Commission adopted DWR power charges for 2004, as well as a permanent allocation methodology for the DWR revenue requirement for 2004 and subsequent years. The allocation of the DWR revenue requirement among the three IOU service territories and resulting DWR power charges for 2004 adopted in D.04-12-014 provides relevant inputs for computing the prospective DA/DL CRS obligations for 2004. This ruling thus authorizes parties to proceed with computing the prospective DA/DL CRS obligations for 2004, corresponding to the total 2004 DWR revenue requirement in D.04-12-014 through the process outlined below. Appendix C of D.04-12-014, setting forth the DWR cost allocation summary is attached for parties' reference.

2005 DA CRS Obligations

In D.05-03-024, the Commission adopted DWR revenue requirements on a forecast basis for 2005, allocated among the three IOU service territories based upon the calculations set forth in Appendix A, Schedule 3 of that decision (attached to this ruling for reference). The allocation of the DWR revenue requirement and resulting DWR power charges for 2005 adopted in D.05-03-024 provides relevant inputs for computing the prospective DA/DL CRS obligations for 2005. This ruling thus authorizes parties to proceed with computing the prospective DA/DL CRS obligations for 2005, corresponding to the total 2005 DWR revenue requirement in D.05-03-024 through the process outlined below. On March 23, a new Draft Decision was issued by ALJ Peter Allen in A.00-11-038 et al. with a revised 2005 DWR revenue requirement, which would reduce the adopted power charges as shown in the attached appendix. Working Group participants should take into any subsequent Commission action on the Draft Decision as relevant to their calculations of the 2005 CRS.

Process for Calculating DA CRS Obligations

By ALJ ruling dated March 28, 2005, a Working Group was established for computing CRS obligations associated with Municipal Departing Load. Consistent with that approach, the same Working Group shall be used to produce DA CRS calculations for 2003-2005. The Commission's Energy Division shall take the lead in coordinating the Working Group to produce the CRS calculations for 2003 (on a true-up basis), and for 2004 and 2005 (on a forecast basis) in coordination with the Working Group process outlined in the March 28, 2005 ruling. All interested parties, including DWR/Navigant, are invited to have representatives participate in the Working Group. The results of the Working Group's calculations shall be served on parties in this proceeding with opportunity to comment.

In the event that Working Group participants encounter areas of disagreement as to the calculation of the CRS obligations, the effects on the calculation under each of the disputed positions shall be computed and presented, together with arguments in favor of each of the alternative positions.

The Energy Division shall serve as the central clearinghouse for data collection and CRS calculations produced by the Working Group. As an initial step, outstanding data requirements need to be determined, with responsibility assigned as to who is to provide what data, and with appropriate deadlines. Some of the required data is available in underlying calculations of the DWR revenue requirements in the respective decisions referenced above. Additional data relating to utility-supplied generating resources will also be necessary to compute the DA CRS obligation to maintain bundled customer indifference on a "total portfolio" basis.

After the CRS calculations are submitted by the Working Group, with opportunity for parties' comments thereon, a draft decision will be prepared to adopt cost responsibility obligations for DA and DL customers for each of the periods in question. The 2004 and 2005 obligations (calculated on a forecast basis) shall remain subject to true up pending the true up of the overall DWR revenue requirement for those periods.

In the ALJ ruling issued on March 28, 2005, set a due date of April 18, 2005 was set for a status report with respect to the MDL CRS calculations. By today's ruling, the April 18, 2005 scope of that status report is hereby expanded to include progress toward calculating the DA CRS obligations for 2003-2005. In the status report, a proposed schedule shall be presented for completing the CRS calculations and submitting them.

IT IS RULED that:

1. A Working Group is hereby established for producing the calculations relating to Direct Access (as well as Departing Load) cost responsibility obligations for 2003 (on a true-up basis) and for 2004 and 2005 (on a forecast basis).
2. The Commission's Energy Division shall coordinate meetings of the Working Group, as required to seek consensus on the inputs and related calculations required for the CRS obligations at issue. The Energy Division shall serve as a central clearinghouse for the data collection and modeling calculations performed by the Working Group.
3. The Energy Division shall provide notice through the Commission's Daily Calendar as to the initial meeting of the Working Group. All interested parties, including DWR/Navigant, are invited to have representatives participate in the Working Group.

4. The DA CRS obligations shall be computed in accordance with the authorized methodology set forth in past Commission decisions, consistent with the DWR revenue requirement inputs for 2003-2005 (as incorporated in the Attachment to this ruling).

5. The due date of April 18, 2005 for a status report with respect to MDL CRS calculations shall also apply to DA CRS calculations. The status report shall indicate progress toward calculating the DA CRS obligations for 2003-2005, as outlined above, and shall provide a proposed schedule for completing and submitting the CRS calculations.

Dated March 30, 2005, at San Francisco, California.

/s/ THOMAS R. PULSIFER

Thomas R. Pulsifer
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling for Calculation of Direct Access/Departing Load Cost Responsibility Obligations Through 2005 on all parties of record in this proceeding or their attorneys of record.

Dated March 30, 2005, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.